

**WATERWORKS DISTRICT NO. 7  
OF WARDS 6 AND 4 OF CALCASIEU  
PARISH, LOUISIANA**

---

**Annual Financial Report  
September 30, 2013 and 2012**

## TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report .....	1 - 2
Management's Discussion and Analysis .....	3 - 6
Statements of Net Position .....	7 - 8
Statements of Revenues, Expenses, and Changes in Net Position .....	9 - 10
Statements of Cash Flows .....	11 - 12
Notes to Financial Statements .....	13 - 24
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards .....	25 - 26
Schedule of Findings and Responses .....	27 - 28

# STEVEN M. DEROUEN & ASSOCIATES

*Certified Public Accountants*

4827 IHLES ROAD  
P. O. BOX 4265  
LAKE CHARLES, LA 70606  
(337) 513-4915 OFFICE/ (337) 205-6927 FAX  
steve@sderouencpa.com

Member American Institute of  
Certified Public Accountants

Member Louisiana Society of  
Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Waterworks District No. 7 of Wards 6 and 4  
Calcasieu Parish, Louisiana

### **Report on the Financial Statements**

I have audited the accompanying financial statements of Waterworks District 7 of Wards 6 and 4 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury, as of September 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Board of Trustees  
Waterworks District No. 7 of Wards 6 and 4  
Calcasieu Parish, Louisiana

## **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waterworks District 7 of Wards 6 and 4 of Calcasieu Parish, Louisiana as of September 30, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated February 4, 2014 on my consideration of Waterworks District 7 of Wards 6 and 4 of Calcasieu Parish, Louisiana's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waterworks District 7 of Wards 6 and 4 of Calcasieu Parish, Louisiana's internal control over financial reporting and compliance.

Steven M. DeRouen & Associates

Lake Charles, Louisiana  
February 4, 2014

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4  
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF  
THE CALCASIEU PARISH POLICE JURY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF SEPTEMBER 30, 2013**

The Management's Discussion and Analysis of the Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana's (the District) financial performance presents a narrative overview and analysis of the District's financial activities for the year ended September 30, 2013. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the financial statements.

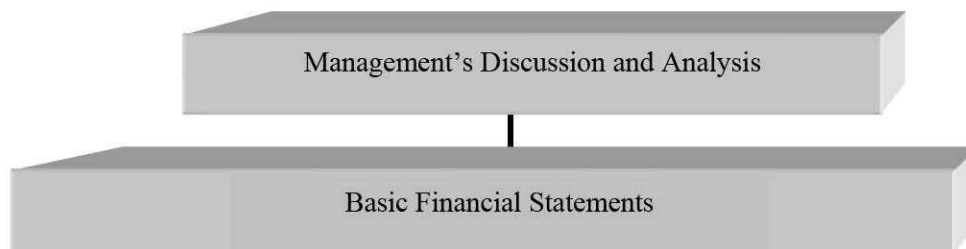
**FINANCIAL HIGHLIGHTS**

The District's assets exceeded its liabilities at the close of fiscal year 2013 by \$2,889,073 which represents a 4.2% increase from last fiscal year. Of this amount, \$683,745 (unrestricted net position) may be used to meet the District's ongoing obligations to its users.

The District's operating revenue decreased \$25,514 (or 5.0%), operating expenses increased \$16,046 (or 2.3%) and the net results from operating activities was a loss from operations of \$222,340.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.



These financial statements consist of two sections - Management's Discussion and Analysis (this section) and the basic financial statements (including the notes to the financial statements).

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4  
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF  
THE CALCASIEU PARISH POLICE JURY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF SEPTEMBER 30, 2013**

**Basic Financial Statements**

The basic financial statements present information for the District as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The Statement of Net Position (pages 7 - 8) presents the current and long term portions of assets and liabilities separately. The difference between total assets and total liabilities is net position and may provide a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position (page 9 - 10) presents information showing how the District's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Cash Flow Statement (pages 11 - 12) presents information showing how the District's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

**FINANCIAL ANALYSIS OF THE ENTITY**

	2013	2012	2011
Current and other assets	\$ 1,292,212	\$ 1,316,700	\$ 1,143,325
Capital assets	2,120,891	2,037,313	2,145,848
Total assets	<u>3,413,103</u>	<u>3,354,013</u>	<u>3,289,173</u>
Other liabilities	240,428	237,728	256,907
Long-term debt outstanding	283,602	343,728	399,174
Total liabilities	<u>524,030</u>	<u>581,456</u>	<u>656,081</u>
Net position:			
Net investment in capital assets	1,837,289	1,693,585	1,746,674
Amount restricted for debt service	368,039	364,150	358,549
Unrestricted amounts	683,745	714,822	527,869
Total net position	<u>\$ 2,889,073</u>	<u>\$ 2,772,557</u>	<u>\$ 2,633,092</u>

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4  
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF  
THE CALCASIEU PARISH POLICE JURY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF SEPTEMBER 30, 2013**

Restricted net position amounts represent those assets that are not available for spending as a result of bond agreements. Conversely, unrestricted net position amounts are those that do not have any limitations for which they may be used.

The net position of the District increased by \$116,516, or 4.2%, from September 30, 2012 to September 30, 2013.

	2013	2012	2011
Operating revenues	\$ 484,707	\$ 510,221	\$ 469,478
Operating expenses	(707,047)	(691,001)	(683,020)
Operating income (loss)	(222,340)	(180,780)	(213,542)
Non-operating revenues (expenses)	338,856	320,245	315,118
Net increase (decrease) in net position	\$ 116,516	\$ 139,465	\$ 101,576

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

As of September 30, 2013, the District had \$2,120,891, net of accumulated depreciation, invested in a broad range of capital assets, including land, right of ways, plant and distribution system, and furniture, fixtures, and equipment. (see table below). This amount represents a net increase (including additions and deductions) of \$83,578, or 4.1%, from last year.

	2013	2012	2011
Land and Right of Ways	\$ 50,480	\$ 50,480	\$ 38,564
Water Plant	4,237,963	4,006,821	3,968,801
Buildings	130,727	130,139	130,139
Furniture, Fixtures, and Equipment	21,989	21,989	21,989
Meters and Equipment	742,793	727,899	719,551
Construction in Progress	22,083	19,627	-0-
Less Accumulated Depreciation	(3,085,144)	(2,919,642)	(2,733,196)
Totals	\$ 2,120,891	\$ 2,037,313	\$ 2,145,848

This year's major capital addition included above was:

- Water Line Expansion Project \$196,605

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4  
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF  
THE CALCASIEU PARISH POLICE JURY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF SEPTEMBER 30, 2013**

**Debt**

The District had \$283,602 in bonds outstanding at year-end, compared to \$343,728 last year, a decrease of 13.9%. A schedule of this debt is shown in the table below.

Outstanding Debt at Year-end			
	2013	2012	2011
Revenue Bonds	\$ 283,602	\$ 343,728	\$ 399,174

The District's Revenue bonds are AAA rated.

**CONTACTING THE DISTRICT'S MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Joe Withers, District Manager, Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish.



**Waterworks District No. 7 of Wards 6 and 4**  
**Calcasieu Parish, Louisiana, a Component Unit of**  
**the Calcasieu Parish Police Jury**  
**Statements of Net Position**  
**As of September 30,**

<b>ASSETS</b>	<b>2013</b>	<b>2012</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 749,581	\$ 778,153
Restricted assets:		
Cash and cash equivalents	442,491	437,028
Certificate of deposit	10,552	10,552
Receivables - net of allowance for uncollectible accounts of \$3,887 for 2013 and \$3,655 for 2012	64,544	67,308
Interest	280	280
Prepaid insurance	15,290	13,203
Total Current Assets	<u>1,282,738</u>	<u>1,306,524</u>
<b>PROPERTY, PLANT, AND EQUIPMENT</b>		
Water plant	4,237,963	4,006,821
Buildings	130,727	130,139
Office furniture and equipment	21,989	21,989
Meters and equipment	742,793	727,899
	<u>5,133,472</u>	<u>4,886,848</u>
Less: accumulated depreciation	<u>(3,085,144)</u>	<u>(2,919,642)</u>
	2,048,328	1,967,206
Construction in progress	22,083	19,627
Land and right-of-ways	50,480	50,480
Net Property, Plant, and Equipment	<u>2,120,891</u>	<u>2,037,313</u>
<b>OTHER ASSETS</b>		
Bond issue costs - net of amortization of \$11,636 for 2013 and \$10,934 for 2012	1,474	2,176
Perpetual service agreement	8,000	8,000
Total Other Assets	<u>9,474</u>	<u>10,176</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,413,103</u></u>	<u><u>\$ 3,354,013</u></u>

The accompanying notes are an integral part of the financial statements.

**Waterworks District No. 7 of Wards 6 and 4**  
**Calcasieu Parish, Louisiana, a Component Unit of**  
**the Calcasieu Parish Police Jury**  
**Statements of Net Position (Continued)**  
**As of September 30,**

	<u>2013</u>	<u>2012</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 10,300	\$ 9,908
Payroll taxes and retirement payable	16,827	15,070
Wages payable	19,683	19,475
DHH fees	164	95
Total Current Liabilities	<u>46,974</u>	<u>44,548</u>
<b>CURRENT LIABILITIES (Payable from Restricted Assets)</b>		
Interest payable	6,452	7,878
Revenue bonds due within one year	68,000	65,000
Customer deposits	87,000	85,300
Deferred tax payable	100,002	100,002
Total Current Liabilities (Payable From Restricted Assets)	<u>261,454</u>	<u>258,180</u>
<b>LONG-TERM LIABILITIES</b>		
Revenue bonds due in more than one year (net of deferred loss)	215,602	278,728
Total Long-Term Liabilities	<u>215,602</u>	<u>278,728</u>
<b>TOTAL LIABILITIES</b>	<u>524,030</u>	<u>581,456</u>
<b>NET POSITION</b>		
Net investment in capital assets	1,837,289	1,693,585
Amounts restricted for debt service	291,591	289,402
Unrestricted amounts	<u>760,193</u>	<u>789,570</u>
<b>TOTAL NET POSITION</b>	<u>\$ 2,889,073</u>	<u>\$ 2,772,557</u>

The accompanying notes are an integral part of the financial statements.

**Waterworks District No. 7 of Wards 6 and 4**  
**Calcasieu Parish, Louisiana, a Component Unit of**  
**the Calcasieu Parish Police Jury**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For The Years Ended September 30,**

	<u>2013</u>	<u>2012</u>
<b>OPERATING REVENUES</b>		
Water sales and fees	\$ 454,237	\$ 472,714
Member fees	8,500	11,000
Service charge income	12,850	16,487
Late charge income	9,120	10,020
Total Operating Revenues	<u>484,707</u>	<u>510,221</u>
<b>OPERATING EXPENSES</b>		
Amortization	702	805
Advertising	436	405
Board per diem	3,540	3,540
Bank charges	2,784	3,195
Chemicals	26,096	21,883
Contract labor	150	225
Depreciation	179,423	186,446
Dues and subscriptions	1,552	1,267
Fiscal agent fees	250	200
Fuel	16,542	19,865
Insurance	70,897	66,382
Office expenses	10,709	6,593
Payroll taxes and retirement	39,735	40,266
Permits and licenses	565	565
Postage	5,063	5,045
Professional services	10,701	13,977
Professional development	345	460
Repairs and maintenance	15,578	14,860
Salaries	246,876	236,561
Supplies	20,393	20,873
Telephone	10,181	9,283
Travel and meals	121	372
Uniforms	1,607	1,144
Utilities	42,565	36,227
Rent expense	236	562
Total Operating Expenses	<u>707,047</u>	<u>691,001</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<u>\$ (222,340)</u>	<u>\$ (180,780)</u>

The accompanying notes are an integral part of the financial statements.

**Waterworks District No. 7 of Wards 6 and 4**  
**Calcasieu Parish, Louisiana, a Component Unit of**  
**the Calcasieu Parish Police Jury**  
**Statements of Revenues, Expenses, and Changes in Net Position (Continued)**  
**For The Years Ended September 30,**

	<u>2013</u>	<u>2012</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Tax revenue	\$ 302,708	\$ 316,205
CPPJ grant revenue	55,373	19,627
Revenue sharing	3,055	5,012
Pipe income	-	1,964
Interest income	1,269	1,132
Interest expense	(20,720)	(24,820)
Miscellaneous revenues	2,339	2,710
Miscellaneous expenses	(5,168)	(1,585)
Total Non-Operating Revenues (Expenses)	<u>338,856</u>	<u>320,245</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u>116,516</u>	<u>139,465</u>
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>2,772,557</u>	<u>2,633,092</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 2,889,073</u></u>	<u><u>\$ 2,772,557</u></u>

The accompanying notes are an integral part of the financial statements.

**Waterworks District No. 7 of Wards 6 and 4  
Calcasieu Parish, Louisiana, a Component Unit of  
the Calcasieu Parish Police Jury  
Statements of Cash Flows  
For The Years Ended September 30,**

	<u>2013</u>	<u>2012</u>
<b>Cash Flows From Operating Activities:</b>		
Receipts from customers and users	\$ 487,239	\$ 504,321
Payments to suppliers	(282,915)	(268,453)
Payments to employees	(246,668)	(236,717)
Other	(2,167)	(1,076)
Net Cash Provided (Used) by Operating Activities	<u>(44,511)</u>	<u>(1,925)</u>
<b>Cash Flows From Investing Activities:</b>		
Interest income	1,269	1,132
Net Cash Provided (Used) by Investing Activities	<u>1,269</u>	<u>1,132</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Capital expenditures for plant and equipment	(259,260)	(97,630)
Principal payments on bonds	(65,000)	(61,000)
Cash received for ad valorem taxes	302,708	316,205
Intergovernmental - revenue sharing	3,055	5,012
Cash provided from pipe income	-	1,964
Cash provided from CPPJ Grant	55,373	19,627
Cash provided from miscellaneous income	2,339	2,710
Cash used for miscellaneous expenses	(4,936)	(1,471)
Cash received (disbursed) for customer deposits	1,700	3,300
Interest expense	(15,846)	(19,266)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>20,133</u>	<u>169,451</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(23,109)	168,658
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>1,215,181</u>	<u>1,046,523</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u><u>\$ 1,192,072</u></u>	<u><u>\$ 1,215,181</u></u>
<b>Cash and Cash Equivalents:</b>		
Cash - unrestricted	\$ 749,581	\$ 778,153
Cash - restricted	442,491	437,028
	<u><u>\$ 1,192,072</u></u>	<u><u>\$ 1,215,181</u></u>

The accompanying notes are an integral part of the financial statements.

**Waterworks District No. 7 of Wards 6 and 4  
Calcasieu Parish, Louisiana, a Component Unit of  
the Calcasieu Parish Police Jury  
Statements of Cash Flows (Continued)  
For The Years Ended September 30,**

	<u>2013</u>	<u>2012</u>
<b>Reconciliation of Operating Income to Net Cash</b>		
<b>Provided (Used) by Operating Activities:</b>		
Operating income	\$ (222,340)	\$ (180,780)
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	179,423	186,446
Amortization	702	805
(Increase) decrease in receivables	2,532	(5,900)
(Increase) decrease in prepaid insurance	(2,087)	264
Increase (decrease) in accounts payable and other accrued expenses	<u>(2,741)</u>	<u>(2,760)</u>
Total Adjustments	<u>177,829</u>	<u>178,855</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><u>\$ (44,511)</u></u>	<u><u>\$ (1,925)</u></u>
<b>Supplemental Disclosure:</b>		
Cash paid for interest	<u><u>\$ 17,272</u></u>	<u><u>\$ 20,605</u></u>

The accompanying notes are an integral part of the financial statements.

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4  
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF  
THE CALCASIEU PARISH POLICE JURY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013 AND 2012**

**Note 1 - Summary of Significant Accounting Policies**

Waterworks District No. 7 of Wards 6 and 4 of Calcasieu Parish, Louisiana, was created by ordinance of the Calcasieu Parish Police Jury. The District is governed by a board of five members who are appointed by the Calcasieu Parish Police Jury.

The accounting and reporting policies of the District conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

**Financial Reporting Entity**

As more fully described in paragraph one above, Waterworks District No. 7 of Wards 6 and 4 of Calcasieu Parish, Louisiana, is governed by a board appointed by the Calcasieu Parish Police Jury.

As the governing authority of the parish, for reporting purposes, the Calcasieu Parish Police Jury is the financial reporting entity for Calcasieu Parish. The financial reporting entity consists of: (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Calcasieu Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criterion includes:

1. Appointing a voting majority of an organization's governing body, and:
  - a. The ability of the police jury to impose its will on that organization and/or;
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.
2. Organizations for which the police jury does not appoint a voting majority, but are fiscally dependent on the police jury.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the police jury appoints a voting majority of the District's board members, the District was determined to be a component unit of the Calcasieu Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the police jury, the general government services provided by the police jury, or the other governmental units that comprise the financial reporting entity.

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4  
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF  
THE CALCASIEU PARISH POLICE JURY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013 AND 2012**

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Fund Accounting**

The accounts of the District are organized on the basis of a proprietary fund, which is considered a separate accounting entity or enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in manner similar to private business enterprises — where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Basis of Accounting**

The District has implemented GASB Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments”.

The District uses the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the District’s enterprise fund are charges to customers for sales and services. The District also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

The proprietary fund is accounted for on a cost of services or capital maintenance measurement focus, and all assets and liabilities (whether current or non-current) associated with its activity are included in the statement of net position.

**Cash and Cash Equivalents**

The District considers all short-term investments with an original maturity of three months or less to be cash equivalents.



**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4  
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF  
THE CALCASIEU PARISH POLICE JURY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013 AND 2012**

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Accounts Receivable**

Accounts receivable are stated at cost less an allowance for doubtful accounts. Accounts are considered delinquent when 30 days past due (based on days since last payment). The allowance account consists of an estimate of uncollectible specifically identified accounts and a general reserve. Management's evaluation of the adequacy of the allowance is based on a continuing review of all accounts and includes a consideration of past user history, any adverse situations that might affect the user's ability to repay, and current economic conditions. The need for an adjustment to the allowance is considered at year end. Amounts charged-off that are subsequently recovered are recorded as income.

**Fixed Assets**

Capital assets are defined by the District as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Property, plant, and equipment are stated at historical cost. Expenditures for major renewals or betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation of all exhaustible property, plant and equipment is charged as an expense against operations.

Depreciation is provided in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated useful lives on the straight-line basis. The useful lives range from 5 to 40 years. Land and right of way costs are not depreciated.

Depreciation expense for the years ended September 30, 2013 and 2012 was \$179,423 and \$186,446, respectively.

**Budgets and Budgetary Accounting**

The District adopts a budget annually for operating expenses. The budget is adopted under a basis consistent with GAAP, except that depreciation, certain capital expenses, revenues, non-operating income and certain non-operating expense items are not considered. The budget for the District is not presented in these statements.

**Risk Management**

The Water District purchases fidelity bonds, worker's compensation coverage and general liability and property insurance from a commercial insurance carrier in order to manage its risks. During the years ended September 30, 2013 and 2012, the District contributed premiums of \$26,855 and \$23,983, respectively. There were no significant reductions in insurance coverage from the prior year.

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4  
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF  
THE CALCASIEU PARISH POLICE JURY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013 AND 2012**

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Property Taxes**

For the years ended September 30, 2013 and 2012, taxes of 5.94 mills were levied on all the taxable property in Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana. These taxes were dedicated for the Maintenance Fund.

The following is a schedule of the 2012 property tax calendar that is applicable to the District:

1. Levy date - October, 2012
2. Billing date - November, 2012
3. Collection dates - December, 2012 - May, 2013
4. Due dated - On receipt
5. Delinquent date - December 31, 2012
6. Lien date - June, 2013

These taxes, less certain uncollectible amounts, collection costs and adjustments, plus minor amounts of prior year taxes are reported for the fiscal year ended September 30, 2013.

**Note 2 - Restricted Assets**

The Revenue Bond Resolution contains certain restrictive covenants which, among other things, require the establishment and maintenance of a "Water Revenue Bond and Interest Sinking Fund" (the "Sinking Fund") to ensure the prompt payment of principal and interest installments as they become due. The Resolution requires that a sum equal to one-twelfth of the total amount of principal and interest falling due in the ensuing year be restricted on a monthly basis. The Resolution also requires that five percent (5%) of the amount to be paid into the "Sinking Fund" for the month be restricted until such time that the accumulated balance is equal to the highest combined principal and interest falling due in any year. In addition, a sum equal to five percent (5%) of the amount to be paid monthly into the "Sinking Fund" is required to be deposited monthly in the "Depreciation Fund" to care for depreciation, extensions, additions, improvements and replacements necessary to properly operate the system. Proceeds from refundable customer deposits are also restricted for the repayment of meter deposits.

An ad valorem tax is levied, assessed and imposed on all the taxable property in Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana, for the purpose of paying the principal and interest on the General Obligation Bonds. Tax revenues received that are dedicated for such purposes are required to be restricted.

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4  
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF  
THE CALCASIEU PARISH POLICE JURY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013 AND 2012**

**Note 2 - Restricted Assets (Continued)**

The following is a schedule of restricted assets as of September 30,:

	<u>2013</u>	<u>2012</u>
Water Depreciation and Contingency Fund	\$ 81,631	\$ 77,543
Water Reserve Fund	84,339	84,339
Water Revenue Bond and Interest Sinking Fund	81,754	82,272
General Obligation Bond and Interest Sinking Fund	118,292	118,099
Customer Deposits Fund	87,000	85,300
Cash with Fiscal Agent	27	27
	<u>\$ 453,043</u>	<u>\$ 447,580</u>

**Note 3 - Bonds Payable**

The following is a summary of bond transactions of the Waterworks District for the year ended September 30, 2013:

	<u>Revenue Bonds</u>
Outstanding at	
September 30, 2012	\$ 359,000
Redeemed in Year	<u>(65,000)</u>
Outstanding at	
September 30, 2013	<u>\$ 294,000</u>

The following is a summary of bond transactions of the Waterworks District for the year ended September 30, 2012:

	<u>Revenue Bonds</u>
Outstanding at	
September 30, 2011	\$ 420,000
Redeemed in Year	<u>(61,000)</u>
Outstanding at	
September 30, 2012	<u>\$ 359,000</u>

Revenue Bonds:	<u>2013</u>	<u>2012</u>
\$832,000 Water Revenue Bonds, Series 2002, due in annual principal installments of \$17,000 - \$79,000 through November 1, 2016, plus interest at 5.29%	\$ 294,000	\$ 359,000
Less deferred loss	<u>(10,398)</u>	<u>(15,272)</u>
	283,602	343,728
Less current maturities	<u>(68,000)</u>	<u>(65,000)</u>
	<u>\$ 215,602</u>	<u>\$ 278,728</u>

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4  
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF  
THE CALCASIEU PARISH POLICE JURY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013 AND 2012**

**Note 3 - Bonds Payable (Continued)**

The annual requirements to amortize all debt outstanding as of September 30, 2013 are as follows:

<u>Revenue Bonds</u> Year Ending September 30,	Principal	Interest	Total
2014	\$ 68,000	\$ 13,754	\$ 81,754
2015	72,000	10,051	82,051
2016	75,000	6,163	81,163
2017	79,000	2,090	81,090
Total	<u>\$ 294,000</u>	<u>\$ 32,058</u>	<u>\$ 326,058</u>

The annual requirements to amortize all debt outstanding as of September 30, 2012 are as follows:

<u>Revenue Bonds</u> Year Ending September 30,	Principal	Interest	Total
2013	\$ 65,000	\$ 17,272	\$ 82,272
2014	68,000	13,754	81,754
2015	72,000	10,051	82,051
2016	75,000	6,163	81,163
2017	79,000	2,090	81,090
Total	<u>\$ 359,000</u>	<u>\$ 49,330</u>	<u>\$ 408,330</u>

**Note 4 - Flow of funds: Restrictions on Use - Utilities Revenues**

Under the terms of the bond resolution on outstanding Water Revenue Bonds dated April 2, 2002, all income and revenues of every nature, earned and derived from operation of the waterworks system are pledged and dedicated to the retirement of said bonds and the payment of expenses of operating and maintaining the system. Such revenue is to be deposited into a separate and special bank account to be administered in the following order of priority and for the following purposes:

The payment of all reasonable and necessary expenses of administration, operation and maintenance of the system.

The establishment and maintenance of a Water Revenue Bond and Interest Sinking Fund by transferring from the Operating Account each month an amount constituting 1/12 of the next maturing installment including interest on the outstanding bonds. Such transfers shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such payments.

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4  
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF  
THE CALCASIEU PARISH POLICE JURY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013 AND 2012**

**Note 4 - Flow of funds: Restrictions on Use - Utilities Revenues (Continued)**

The establishment and maintenance of a Water Reserve Fund by transferring from the Operating Account each month an amount at least equal to 5.0% of the amount to be paid into the Sinking fund described above until there shall have been accumulated in the Reserve account an amount equal to the maximum principal and interest requirements in any one maturity year. The money in said account is to be retained solely for the purpose of paying the principal of and interest on bonds payable from the Sinking Fund as to which there would otherwise be default.

The establishment and maintenance of a Water Depreciation and Contingency fund by transferring from the Operating Account a sum equal to 5.0% of the amount to be paid monthly into the Sinking Fund each month to care for depreciation, extensions, additions, improvements and replacements necessary to properly operate the system. Money in this fund may also be used to pay principal or interest on the bond falling due at any time if there is not sufficient money for payment in the other bond funds.

The balance of the excess funds on deposit in the Water Revenue Fund, after the transfer of the required amount into the above noted funds, may be used for the purpose of calling and/or paying bonds or for any other lawful corporate purpose as the Governing Authority may determine.

The District met all requirements for the years ending September 30, 2013 and 2012.

**Note 5 - Cash and Cash Equivalents**

At September 30, 2013 and 2012, the District had cash and cash equivalents (book balances) totaling \$1,192,072 and \$1,215,181, respectively.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Custodial Credit Risk is the risk that in the event of bank failure, the District's deposits may not be returned. At September 30, 2013, the District had \$1,203,292 in deposits (collected bank balances). These deposits are secured from risk by \$500,000 of federal deposit insurance and \$942,884 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

At September 30, 2012, the District had \$1,225,921 in deposits (collected bank balances). These deposits were secured from risk by \$681,096 of federal deposit insurance and \$561,203 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4  
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF  
THE CALCASIEU PARISH POLICE JURY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013 AND 2012**

**Note 5 - Cash and Cash Equivalents (Continued)**

Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent bank has failed to pay deposited funds upon demand.

**Note 6 - Investments**

Under Louisiana Revised Statutes 39:2955, the District may deposit funds in demand deposit accounts, interest bearing demand deposit accounts, money market accounts, and time certificates of deposit with state banks, organized under Louisiana Law and National Banks having principal offices in Louisiana. Additionally, Louisiana statutes allow the District to invest in United States Treasury obligations, obligations issued or guaranteed by the United States government or federal agencies, and mutual or trust funds register with the Securities and Exchange Commission which have underlying investments consisting solely of and limited to the United States government or its agencies.

At September 30, 2013 and 2012, the District had one certificate of deposit with a fair value of \$10,552 for both years. This deposit was secured from risk by federal deposit insurance as well as pledged securities as shown above in note 5.

**Note 7 - Retirement System**

Full-time employees are members of the Parochial Employees' Retirement System of Louisiana, a Public Employee Retirement System (PERS), which is the administrator of a cost sharing multiple-employer plan.

Fiscal year ending September 30, 2013 payroll was \$246,876, all of which was covered by the Plan.

Fiscal year ending September 30, 2012 payroll was \$236,561, all of which was covered by the Plan.

Any person who is a permanent employee and works at least 28 hours a week and whose compensation is paid wholly or partly by a covered employer is covered by this system.

**Plan Benefits**

**Plan A Fund Benefits:**

Any member is eligible for normal retirement if he has at least 30 years of creditable service regardless of age, 25 years of creditable service and is at least age 55, 10 years of creditable service and is at least age 60, or 7 years of creditable service and is at least age 65. For employees hired after January 1, 2007, a member is eligible for normal retirement if he has at least 30 years of creditable service and is at least age 55, 10 years of creditable service and is at least age 62, or 7 years of creditable service and is at least age 67.

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4  
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF  
THE CALCASIEU PARISH POLICE JURY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013 AND 2012**

**Note 7 - Retirement System (Continued)**

The retirement allowance is equal to three percent of the member's final average compensation (defined as the average of the highest consecutive 36 months (60 months for members hired January 1, 2007 and later)) multiplied by his years of creditable service; however, any employee who was a member of the supplemental plan only prior to the revision date has the benefit earned for service credited prior to the revision date on the basis of one percent of final compensation plus two dollars per month for each year credited prior to the revision date, and three percent of final compensation for each year of service credited after the revision date. The retirement allowance may not exceed the greater of one hundred percent of a member's final salary (last 12 months) or the final average compensation.

A member is eligible to retire and receive disability benefits if he has at least 5 years (7 years if hired January 1, 2007 and later) of creditable service, is not eligible for normal retirement and suffers disability, which has been certified by the State Medical Disability Board. The rate is 3% of the member's final compensation multiplied by his years of creditable service under certain conditions outlined in the statutes.

Upon death of a member with 5 or more years of creditable service, the Plan provides benefits for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from 30% to 60% of the member's final compensation.

**Deferred Retirement Option:**

In lieu of terminating employment and accepting a service retirement allowance, any member who is eligible for a normal retirement allowance may elect to participate in the Deferred Retirement Option Plan, and defer the receipt of benefits.

The duration of participation in the plan shall be specified and shall not exceed three years.

Upon the effective date of the commencement of participation in the plan, membership in the system shall terminate. Employer contributions shall continue to be payable by the employer during the person's participation in the plan, but payments of employee contributions shall cease upon the effective date of the person's commencement of participation in the plan.

The monthly retirement benefits that would have been payable, had the person elected to cease employment and receive a service retirement allowance, shall be paid into the Deferred Retirement Option Plan fund, which shall not earn interest.

Upon termination of employment at the end of the specified period of participation, a participant in the plan shall receive, at his/her option, a lump sum payment from the Deferred Retirement Option Plan fund equal to the payments made to that fund on his/her behalf, a true annuity based upon his/her account in that fund, or roll over the fund to an Individual Retirement Account.



**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4  
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF  
THE CALCASIEU PARISH POLICE JURY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013 AND 2012**

**Note 7 - Retirement System (Continued)**

**Contributions:**

The actuarially required employer contribution for Plan A was determined by adding to the normal cost an amortization payment on the unfunded accrued liability which was based on a 40 year annuity with payments increasing at 4% per year. This payment method conforms to legislation passed during 1988 by the Louisiana Legislature.

**Member Contributions:**

Member contributions, established by Statute at 9.50% of total compensation for Plan A and 3.0% of total compensation for Plan B, are deducted from the member's salary. Employees contributed \$22,270 and \$22,208 in the year ended September 30, 2013 and 2012, respectively.

**Employer Contributions:**

Employer contributions are actuarially determined every fiscal year according to statutory process. Written notices of these rates are provided to employers annually. The employer rate for Plan A was 16.75%, 15.75% and 15.75% for the years ended September 30, 2013, 2012, and 2011, respectively. The employer contribution rate for Plan B was 10.00% for years ended September 30, 2013, 2012, and 2011. The District contributed \$37,518, \$36,818 and \$35,184 on behalf of its employees for the years ended September 30, 2013, 2012 and 2011, respectively.

The Parochial Employees' Retirement System of Louisiana issues a stand-alone financial report and can be obtained by contacting their office.

**Note 8 - Compensated Absences**

The District does not accrue compensated absences as they do not have a formal policy regarding compensated absences. Terminated employees do not receive compensation for unused time.

**Note 9 - Management Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4  
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF  
THE CALCASIEU PARISH POLICE JURY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013 AND 2012**

**Note 10 – Capital Assets**

Capital asset activity for the year ended September 30, 2013 was as follows:

	Beginning of Year	Additions	Transfers/ Disposals	End of Year
Land and Right of Ways	\$ 50,480	\$ -	\$ -	\$ 50,480
Construction in Progress	19,627	199,061	196,605	22,083
Total Capital Assets Not Being Depreciated	70,107	199,061	196,605	72,563
Capital Assets Being Depreciated:				
Water Plant	4,006,821	231,142	-	4,237,963
Buildings	130,139	588	-	130,727
Office Furniture and Equipment	21,989	-	-	21,989
Meters and Equipment	727,899	28,815	13,921	742,793
Total Capital Assets Being Depreciated	4,886,848	260,545	13,921	5,133,472
Less Accumulated Depreciation	2,919,642	179,423	(13,921)	3,085,144
Total Capital Assets Being Depreciated, Net of Depreciation	1,967,206	81,122	-	2,048,328
Total Capital Assets, Net	\$ 2,037,313	\$ 280,183	\$ 196,605	\$ 2,120,891

Capital asset activity for the year ended September 30, 2012 was as follows:

	Beginning of Year	Additions	Transfers/ Disposals	End of Year
Land and Right of Ways	\$ 38,564	\$ 11,916	\$ -	\$ 50,480
Construction in Progress	-	19,627	-	19,627
Total Capital Assets Not Being Depreciated	38,564	31,543	-	70,107
Capital Assets Being Depreciated:				
Water Plant	3,968,801	38,020	-	4,006,821
Buildings	130,139	-	-	130,139
Office Furniture and Equipment	21,989	-	-	21,989
Meters and Equipment	719,551	8,348	-	727,899
Total Capital Assets Being Depreciated	4,840,480	46,368	-	4,886,848
Less Accumulated Depreciation	(2,733,196)	(186,446)	-	(2,919,642)
Total Capital Assets Being Depreciated, Net of Depreciation	2,107,284	(140,078)	-	1,967,206
Total Capital Assets, Net	\$ 2,145,848	\$ (108,535)	\$ -	\$ 2,037,313

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4  
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF  
THE CALCASIEU PARISH POLICE JURY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013 AND 2012**

**Note 11 - Perpetual Servitude**

In June, 1995, the Waterworks District entered into a perpetual servitude agreement for the right to drill and maintain water wells, construct and maintain water lines, and to perform such other tasks as may be reasonably related to the operation and maintenance of water wells on the property located next to the Waterworks District main office. The total cost of the agreement was \$8,000.

**Note 12 - Deferred Loss**

The remaining unamortized issuance costs associated with the Series 1991 General Obligation and Revenue Bonds are being amortized as a component of interest expense over the life of the current bonds.

**Note 13 – Board of Commissioner’s Fees**

Members of the Board of Commissioners are paid a per diem allowance for attending board meetings. The total expenses for meetings attended during the year are as follows:

	2013	2012
Fred B. Fluitt, Jr.	\$ 780	\$ 720
Edwin A. Peterson	660	720
Sonny Watkins	720	720
Ivan J. Tarou	720	660
Ted B. Chapman	660	720
Total	\$ <u>3,540</u>	\$ <u>3,540</u>

**Note 14 – Deferred Tax Payable**

During the 2005 and 2004 tax years, the District assessed millage in excess of the required amounts to repay general obligation bonds. This excess amount has not been recognized as income and is therefore deferred until the amounts are either refunded or offset against future tax assessments.

**Note 15 - Prior Year Balances**

Certain prior year amounts may have been reclassified to conform to current year presentation. Such reclassifications had no effect on previously reported total net assets

**Note 16 - Subsequent Events**

The District evaluated its September 30, 2013 financial statements for subsequent events through February 4, 2014, the date the financial statements were available to be issued. The District is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

# STEVEN M. DEROUEN & ASSOCIATES

*Certified Public Accountants*

4827 IHLES ROAD  
P. O. BOX 4265  
LAKE CHARLES, LA 70606  
(337) 513-4915 OFFICE/ (337) 205-6927 FAX  
steve@sderouencpa.com

Member American Institute of  
Certified Public Accountants

Member Louisiana Society of  
Certified Public Accountants

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
Waterworks District No. 7 of Wards 6 and 4  
Calcasieu Parish, Louisiana

I have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana's basic financial statements, and have issued my report thereon dated February 4, 2014.

### **Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana's internal control. Accordingly, I do not express an opinion on the effectiveness of Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, I identified a deficiency in internal control that I consider to be a material weakness and another deficiency that I consider to be a significant deficiency.

Board of Commissioners  
Waterworks District 7 of Wards 6 and 4  
Calcasieu Parish, Louisiana

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs Item 2013-2 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs Item 2013-01 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **District's Responses to Findings**

The District's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Steven M. DeRouen & Associates

Lake Charles, Louisiana  
February 4, 2014

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 & 4  
OF CALCASIEU PARISH, LOUISIANA  
Dequincy, Louisiana  
Schedule of Findings and Responses  
September 30, 2013**

**A. Summary of Independent Auditor's Results:**

1. Unqualified opinion on financial statements.
2. Significant deficiencies in internal control – refer to B. 2013-01  
Material weakness in internal control – refer to B. 2013-02.
3. No instances of non-compliance noted.

**B. GAGAS Findings:**

**2013-01 Segregation of Duties –**

Finding:	There is an inadequate segregation of duties at the District to provide effective internal control. This is a repeat finding.
Cause:	The District employs a small number of people involved in the day-to-day operations.
Recommendation	None
Management's response	Management has considered this weakness and determined that it would not be cost effective to employ sufficient personnel to obtain adequate segregation of duties.

**2013-02 Financial Statement Reporting –**

Finding:	The District maintains its books and records on the modified cash basis of accounting. The District relies on the auditing firm to assist in adjusting the modified cash basis books to accrual basis and to assist in the preparation of external financial statements and related disclosures. Under U. S. generally accepted auditing standards, the auditing firm cannot be considered part of the District's internal control structure. This is a repeat finding.
Cause:	The District lacks the accounting staff to adjust the books from the cash basis to the accrual basis and prepare the external financial statements and related disclosures.
Recommendation	None
Management's response	Management has considered this weakness and determined that it would not be cost effective at this time to employ or contract the appropriate personnel to remove this deficiency.

**WATERWORKS DISTRICT NO. 7 OF WARDS 6 & 4  
OF CALCASIEU PARISH, LOUISIANA  
Dequincy, Louisiana  
Schedule of Findings and Responses (Continued)  
September 30, 2013**

**C. Prior Year Findings:**

**2012-01 Segregation of Duties –**

Finding:	There is an inadequate segregation of duties at the District to provide effective internal control. This is a repeat finding.
Cause:	The District employs a small number of people involved in the day-to-day operations.
Recommendation	None
Management's response	Management has considered this weakness and determined that it would not be cost effective to employ sufficient personnel to obtain adequate segregation of duties.

**2012-02 Financial Statement Reporting –**

Finding:	The District maintains its books and records on the modified cash basis of accounting. The District relies on the auditing firm to assist in adjusting the modified cash basis books to accrual basis and to assist in the preparation of external financial statements and related disclosures. Under U. S. generally accepted auditing standards, the auditing firm cannot be considered part of the District's internal control structure. This is a repeat finding.
Cause:	The District lacks the accounting staff to adjust the books from the cash basis to the accrual basis and prepare the external financial statements and related disclosures.
Recommendation	None
Management's response	Management has considered this weakness and determined that it would not be cost effective at this time to employ or contract the appropriate personnel to remove this deficiency.